



## 2012 Top 10 SMB Technology Market Predictions

Here are the [SMB Group's Top 10 SMB Technology Predictions for 2012](#)! A more detailed description of each follows below.

1. **Economic Anxiety Lowers SMB Revenue Expectations and Tightens Tech Wallets**
2. **The SMB Progressive Class Gains Ground**
3. **The SMB Social Media Divide Grows**
4. **Cloud Becomes the New Normal**
5. **Mobile Application Use Extends Beyond Email to Business Applications**
6. **Increased SMB Business Intelligence (BI) and Analytics Investments Are Sparked by the Social-Mobile-Cloud Triumvirate**
7. **Managed Services Meet Mobile**
8. **The Accidental Entrepreneur Spikes Demand for No-Employee Small Business Solutions**
9. **Increased Adoption of Collaboration and Communication Services in Integrated Suites**
10. **The IT Channel Continues to Shape-Shift**

### 2012 Top 10 SMB Technology Market Predictions in Detail

1. **Economic Anxiety Lowers SMB Revenue Expectations and Tightens Tech Wallets.** After the Great Recession officially ended in 2009, the U.S. economy resumed moderate economic growth in 2010—and the SMB outlook for 2011 became fairly bullish. But new economic worries and uncertainties are dampening some SMB outlook. Our [2011 SMB Routes to Market Study](#) indicated that SMBs are less confident about their revenue prospects for 2012: 56% of small and 63% of medium businesses are forecasting revenue growth for 2012, compared to the 77% of both small and medium businesses that forecasted growth for 2011. And many SMBs are tightening their tech wallets: More are forecasting flat or decreased IT spending for 2012 compared to 2011. To loosen the purse strings, tech vendors must deliver a rock-solid case for how their solutions help address top SMB challenges—which are to attract new customers, grow revenues and maintain profitability. In addition to broadening subscription-based cloud solution options (which offload big upfront investments), more vendors will offer flexible, alternative financing to help ease the financial burden—and gain a leg up on competitors.
2. **The SMB Progressive Class Gains Ground.** That said, we also see a distinct category of SMBs that we are terming “Progressive SMBs.” Despite economic uncertainties, Progressive SMBs plan to increase IT spending. These SMBs see technology as a vital tool for business transformation, a mechanism to create market advantage and a way to level the playing field against bigger companies. Although price is still a key factor for Progressive SMBs, they are more likely to rate other factors—such as easier to customize for my business, strong reputation and brand, and ability to provide local service and support—higher than other SMBs when making technology decisions, according to our [2011 SMB Routes to Market Study](#). Progressive SMBs invest more in technology and see the results in terms of higher revenue expectations. For instance,



73% of medium businesses that are investing more in technology anticipate revenue increases in 2012, compared to just 17% among those decreasing IT spending. Technology vendors need to develop different marketing campaigns and more sophisticated solutions for Progressive SMBs than for their counterparts to win in this very important segment.

3. **The SMB Social Media Divide Grows.** SMB use of social media is rising. According to our [2011 Impact of Social Business in Small and Medium Business Study](#), about 50% of SMBs already use social media, and another 25% plan to do so within the next 12 months. The study revealed that about half of SMBs take a strategic and structured approach with social media. These “strategically social” companies use social media for more activities, use more channels and are more satisfied with the business results than the other half of SMBs that are still throwing spaghetti on the Facebook wall. These more informal, ad hoc users say that they don’t have enough time to use social media effectively; they can’t decide what social media strategies and tools will work best; it’s too difficult to integrate social media with sales, marketing, service and other business processes; and they are unable to measure value from social media. As new social media tools—from crowd-sourced pricing to video commerce—take shape, SMB social media “haves” will gain business ground on the “have-nots” in an exponential manner. As the have-nots lose ground, they will clamor for better social media guidance and easier-to-use, better integrated and more affordable social media management solutions.
  
4. **Cloud Becomes the New Normal.** Is the cloud perfect? No. Is it right for every solution and every business? No. But that said, the rate and pace of technological change are in overdrive, and the need for businesses to harness new technology-based solutions—social, mobile, analytics, etc.—to maintain a business edge is rising. Our [2011 SMB Routes to Market Study](#) results reveal *that demand for cloud-based solutions is accelerating in almost all solution areas. For instance, in the past 24 months, only 7% of small businesses purchased or upgraded cloud accounting/ERP solutions, compared with 13% that plan to purchase them in the next 12 months. Areas that show the biggest potential for cloud gains in 2012 are marketing automation, business intelligence/analytics, and desktop virtualization solutions and services. Most SMBs simply don’t have the staff, expertise or capital budgets needed for do-it-yourself IT—and they can’t afford the time it takes to get business payback from a solution that they need to vet, buy, install and deploy in-house. This makes the arguments for cloud computing—reduced capital costs, speed to deploy, and real-time collaboration and visibility—compelling. Demand for anytime, anywhere, any-device mobile access to applications will also accelerate cloud adoption, as many SMBs will want to offload management of mobile applications to a cloud solutions provider too. Enterprise players such as Oracle (with RightNow) and SAP (with SuccessFactors) have already begun their cloud shopping sprees. Look for traditional SMB vendors (Intuit, Microsoft, Sage, etc.) to join in the fun.*
  
5. **Mobile Application Use Extends Beyond Email to Business Applications.** In a custom study we completed this summer, SMBs indicated that they plan to significantly increase spending on mobile devices and services in the next 12 months, with the highest jump in the 5-to-49–employee size band. The study revealed that with mobile use of collaboration apps (email, calendar, etc.) now mainstream, SMBs are mobilizing business

applications. Some of the strongest categories for SMB current and planned mobile app use are mobile payments (52%), time management (59%), field service (59%), and customer information management (69%). This rapid uptake will also include more vertical apps that are a perfect fit for industry-specific needs, especially given the choice of both smart phone and tablet (read: iPad) form factors. Unfortunately, our crystal ball is cloudy when it comes to predicting if another vendor will be able to give Apple a run for its money in the business-use tablet market.

6. **Increased SMB Business Intelligence (BI) and Analytics Investments Are Sparked by the Social-Mobile-Cloud Triumvirate.** According to our [2011 SMB Routes to Market Study](#), *16% of small and 29% of medium businesses purchased/upgraded a BI solution within the past 24 months, and 16% and 28%, respectively, plan to do so in the next 12 months.* The social-mobile-cloud triumvirate will fuel new and increased SMB investments in this area as businesses try to plow through the growing data avalanche to get to the insights they need to grow their businesses. As SMBs try to get a better handle on customers' and prospects' opinions and influence networks, interest in sentiment analysis and social graphing solutions will grow. New mobile access capabilities and applications from BI vendors designed to provide SMBs with just the information they need, when and where they need it, will spur interest as well. Finally, *our study indicated that roughly a third of SMBs use or plan to use cloud-based BI and analytics solutions.* An expanding array of cloud options in this area *will make it easier and more affordable for more SMBs to deploy these solutions.*
7. **Managed Services Meet Mobile.** Despite momentum toward the cloud, it will continue to be a hybrid world for a very long time. Many SMBs will continue to use existing on-premises apps and choose on-premises deployment as security, regulatory or other needs dictate. So most SMBs will continue to grapple with IT infrastructure management—even as new mobile device management and governance challenges grow. SMB adoption of mobile phones and tablets is now on par with that of traditional landline phones, according to our [2011 SMB Collaboration and Communication Study](#). With employees more likely to lose a smart phone than a laptop, security issues abound and will only increase. The “bring your own device” (BYOD) phenomenon creates additional concerns, not least of which is to create a firewall between personal and business data. These SMB challenges provide ample opportunity for wireless carriers, networking vendors, MSPs and others that can provide integrated and automated managed services. These are likely to include services that encompass management of cloud-based infrastructure and all end-point devices, from desktop PCs, tablets and smart phones to purpose-built mobile devices; network services to reduce downtime and help optimize the network that mobile access relies on; and support for cloud-based dual-persona solutions on personal mobile devices.
8. **The Accidental Entrepreneur Spikes Demand for No-Employee Small Business Solutions.** As unemployment has increased, so has the number of freelancers, contractors, independent consultants and others choosing to go it alone. According to the U.S. Census Bureau, small businesses without a payroll make up more than 70% of America's 27 million companies, with annual sales of \$887 billion. Many entrepreneurs never intended to take this path, but stay solo because they prefer it to going back to the corporate payroll. Others stick it out due to limited employment options. Either way, more accidental entrepreneurs view what

they're doing as a long-term business venture instead of a short-term stopgap. As a result, they see themselves more as business owners than as freelancers or contractors. But many have no intention or desire to hire employees. This will spike demand for—and growth of—applications and services that help them to achieve their business goals without adding employees. Traditional small business powerhouses (Intuit, Sage, etc.), pioneers in the SOHO space (FreshBooks, Shoebox, Zoho, etc.), new start-ups and others will increasingly cater to their needs with solutions that make it easier for them to fly solo—whether from a home office or on the go.

9. **Increased Adoption of Collaboration and Communication Services in Integrated Suites.** As evidenced in our [2011 SMB Collaboration and Communication Study](#), the SMB pendulum is swinging from point solutions for voice, communications, social media and collaboration solutions to integrated suites. Medium businesses are leading the charge, with 28% currently using an integrated collaboration suite, and 35% planning to do so in the next 12 months. Small businesses are slower to make this leap, but a transition is under way here too. By moving from disparate point solutions to an integrated offering, SMBs can avoid the hassles of learning to use multiple user interfaces, going to different sites to login and remembering different passwords—in short, things that waste time and frustrate users. They also can lower costs and improve their ability to collaborate effectively. A growing roster of low-cost (or free), easy-to-use integrated collaboration suites (Google Apps, Microsoft Office 365, IBM LotusLive and HyperOffice, to name a few) are adding fuel to the convergence fire—although vendors will still need to address the obstacle of user resistance to learning something new.
10. **The IT Channel Continues to Shape-Shift.** The trend triumvirate—cloud, social and mobile—is also reshaping the IT channel. These trends are moving the goal posts and changing the ways in which channel partners add value. Cloud computing reduces the need for hardware, software and infrastructure deployment skills, and ups the ante for educational guidance, business process transformation and integration skills. Re-imagined channel partner programs from vendors such as Intacct and IBM's Software Group have blossomed as they shift partner rewards to focus more on value-add and renewals. Meanwhile, non-traditional IT partners, such as creative and marketing agencies, have stepped in to fill a gap by providing social media and digital marketing services for solutions such as Radian6 and HubSpot. In the mobile domain, partners will need to bring more value to help SMBs develop and implement mobile strategies, and offer solutions to manage mobile devices and applications and provide better network performance, reliability and redundancy. As with any significant inflection point, the cloud-social-mobile trend necessitates that older partner models continue to move aside as new, more relevant ones take shape.